

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

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Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/07 AND ENDING 12/31/07
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Jettrade, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1060 Nimitzview Drive, Suite 205

OFFICIAL USE ONLY

FIRM I.D. NO.

(No. and Street)

Cincinnati

Ohio

45230-4351

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

J.D. Cloud & Co. L.L.P.

(Name - if individual, state last, first, middle name)

120 East Fourth Street, 1100 Mercantile Center, Cincinnati,

OH

45202

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 06 2008

THOMSON
FINANCIAL

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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JP
3/5/08

OATH OR AFFIRMATION

I, H. Garrett Frey, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of JetTrade, Inc., as of December 31, 20 07, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



NOTARY PUBLIC
STATE OF OHIO
COUNTY OF BROWN
ELIZABETH A. REED
MY COMMISSION EXPIRES OCT. 14, 2009

A handwritten signature in black ink, appearing to read "H. Garrett Frey".

Signature

CEO

Title

A handwritten signature in black ink, appearing to read "Elizabeth A. Reed".
Notary Public

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition. CASH FLOWS
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

JETTRADE, INC.

FINANCIAL STATEMENTS

For the year ended December 31, 2007

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INDEPENDENT AUDITORS' REPORT

To the Shareholders
JetTrade, Inc.
Cincinnati, Ohio

We have audited the accompanying statements of financial condition of JetTrade, Inc. as of December 31, 2007 and 2006, and the related statements of income, shareholders' equity, cash flows, and changes in liabilities subordinated to claims of general creditors for the years then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JetTrade, Inc. as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

J. D. Cloud & Co. L.L.P.

Certified Public Accountants

February 21, 2008

JETTRADE, INC.

STATEMENTS OF FINANCIAL CONDITION

At December 31, 2007 and 2006

	2007	2006
ASSETS:		
Cash and cash equivalents	\$ 86,247	77,166
Commissions receivable	10,647	13,671
Accounts receivable - other	58,898	-
Secured demand note collateral	50,000	51,805
Deferred income tax	<u>2,850</u>	<u>2,850</u>
TOTAL ASSETS	\$ <u>208,642</u>	<u>145,492</u>
 - LIABILITIES AND SHAREHOLDERS' EQUITY -		
LIABILITIES:		
Commissions payable	\$ -	9,443
Accrued liabilities	94,209	-
Subordinated borrowings	<u>50,000</u>	<u>51,805</u>
TOTAL LIABILITIES	<u>144,209</u>	<u>61,248</u>
SHAREHOLDERS' EQUITY:		
Common stock; no par value, 500 shares authorized, 100 shares issued and outstanding	50,000	50,000
Additional paid-in capital	85,731	82,231
Retained earnings (deficit)	<u>(71,298)</u>	<u>(47,987)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>64,433</u>	<u>84,244</u>
 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ <u>208,642</u>	<u>145,492</u>

The accompanying notes to financial statements are an integral part of these statements.

JETTRADE, INC.**STATEMENTS OF INCOME**

For the years ended December 31, 2007 and 2006

	2007	2006
COMMISSION INCOME	\$ <u>333,121</u>	<u>323,427</u>
OPERATING EXPENSES:		
Commission and clearing fees	221,403	219,204
Salaries and benefits	83,300	83,231
Service fees	47,684	25,991
Interest expense	<u>5,000</u>	<u>5,000</u>
TOTAL OPERATING EXPENSES	<u>357,387</u>	<u>333,426</u>
OTHER INCOME (EXPENSE):		
Merger of NASD and NYSE	35,000	-
Loss on customer account	(34,271)	-
Other income	<u>226</u>	-
OTHER INCOME (EXPENSE), net	<u>955</u>	-
NET LOSS	\$ <u>(23,311)</u>	<u>(9,999)</u>

The accompanying notes to financial statements are an integral part of these statements.

JETTRADE, INC.

STATEMENTS OF SHAREHOLDERS' EQUITY

For the years ended December 31, 2007 and 2006

	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Total Shareholders' Equity
Balance – January 1, 2006	\$ 50,000	69,688	(37,988)	81,700
Net loss			(9,999)	(9,999)
Capital contribution		12,543		12,543
Balance – December 31, 2006	<u>50,000</u>	<u>82,231</u>	<u>(47,987)</u>	<u>84,244</u>
Net loss			(23,311)	(23,311)
Capital contribution		3,500		3,500
Balance – December 31, 2007	\$ <u>50,000</u>	<u>85,731</u>	<u>(71,298)</u>	<u>64,433</u>

The accompanying notes to financial statements are an integral part of these statements.

JETTRADE, INC.

STATEMENTS OF CASH FLOWS

For the year ended December 31, 2007

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (23,311)	(9,999)
Adjustments to reconcile net loss to net cash flows from operating activities:		
(Increase) decrease in commission receivable	3,024	2,374
(Increase) decrease in account receivable - other	(58,898)	-
Increase (decrease) in commissions payable	(9,443)	(2,473)
Increase (decrease) in accrued liabilities	94,209	-
Expenses contributed to capital	<u>-</u>	<u>10,503</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>5,581</u>	<u>405</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital contribution	<u>3,500</u>	<u>2,040</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,081	2,445
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>77,166</u>	<u>74,721</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>86,247</u>	<u>77,166</u>

The accompanying notes to financial statements are an integral part of these statements.

JETTRADE, INC.

**STATEMENTS OF CHANGES IN LIABILITIES SUBORDINATED
TO CLAIMS OF GENERAL CREDITORS**

For the years ended December 31, 2007 and 2006

	2007	2006
Subordinated borrowings - January 1	\$ 51,805	50,000
Increase - Additional subordinated borrowings	-	-
Change in secured demand note collateral value	-	1,805
Decrease - Payment of subordinated borrowings		
Change in secured demand note collateral value	<u>(1,805)</u>	<u>-</u>
Subordinated borrowings - December 31	\$ <u>50,000</u>	<u>51,805</u>

The accompanying notes to financial statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

At December 31, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

JetTrade, Inc. (the "Company") is a broker-dealer, located in Cincinnati, Ohio. The Company's primary source of revenue is providing brokerage services to customers who are predominantly individuals. The Company is registered with the Securities and Exchange Commission ("SEC"), and the State of Ohio, and is a member of the Financial Industry Regulatory Authority ("FINRA") formerly known as the National Association of Securities Dealers ("NASD").

It is the policy of the Company to employ U.S. generally accepted accounting principles in the preparation of its financial statements. A summary of the Company's significant accounting policies follows:

ACCOUNTING ESTIMATES-

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH EQUIVALENTS-

The Company considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents.

RECEIVABLES AND CREDIT POLICIES-

Commissions receivable are stated at the amount billed and represent uncollateralized clearing broker obligations due under normal trade terms requiring payment within 30 days. Payments of commissions are allocated to the specific transactions identified on the clearing broker statement or, if unspecified, are applied to the earliest unpaid amounts. Management reviews the accounts receivable and records an allowance for bad debts when considered necessary. Based on these reviews, management has determined that an allowance is not necessary.

SECURITIES TRANSACTIONS-

Profit and loss arising from all securities and commodities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Commission income and related clearing expenses are recorded on a trade date basis as securities transactions occur.

Marketable securities are valued at market value, and securities not readily marketable are valued at fair value as determined by management. Gain or loss from transactions in the secured demand note collateral belong to the lender and are therefore excluded from the Company's results of operations.

NOTES TO FINANCIAL STATEMENTS

At December 31, 2007

(Continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**INCOME TAXES-**

Income taxes are accounted for using the liability method. Under this method, deferred income taxes are determined based upon enacted tax laws and rates applied to the differences between the financial statement and tax bases of assets and liabilities.

Deferred tax assets are the result of net operating loss carry forwards adjusted for a valuation allowance. The valuation allowance reflects managements estimate of the loss carry forward that may not be realized.

NOTE 2 - SUBORDINATED BORROWINGS

Subordinated borrowings, subject to a collateral agreement, consisted of a \$50,000 subordinated demand note with a current balance of \$50,000 and \$51,805 at December 31, 2007 and 2006, respectively. The note is due August 31, 2009 and bears interest at 10%. Interest expense and interest paid on the borrowing amounted to \$5,000 during the years ended December 31, 2007 and 2006.

The subordinated debt is available for computing net capital under the SEC's uniform net capital rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

The Company has accepted collateral with a fair value of \$48,639 and a receivable of \$1,361 at December 31, 2007 for the secured demand note. The Company is permitted by contract to sell, or pledge, this collateral provided the balance, after any applicable discounts, remains at least equal to \$50,000. The collateral value, after applicable haircuts, was \$41,343 at December 31, 2007. The Company utilized approximately \$12,000 of the collateral after December 31, 2007 which is required to be reallocated to the collateral account in 2008.

NOTE 3 - INCOME TAXES

The provision for income tax expense consists of the following:

	2007	2006
Current tax benefit	\$ (3,497)	(1,613)
Deferred tax	<u>3,497</u>	<u>1,613</u>
Income tax expense	<u>\$ -</u>	<u>-</u>
Gross deferred tax assets	\$10,923	7,426
Valuation allowance	<u>8,073</u>	<u>4,576</u>
Net deferred tax asset	<u>\$ 2,850</u>	<u>2,850</u>

The Company has net operating loss carry forwards of \$72,816 that may be applied against future taxable income. The net operating losses will expire from 2021 through 2027.

NOTES TO FINANCIAL STATEMENTS

At December 31, 2007
(Continued)

NOTE 4 - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, may not exceed 15 to 1. The Company's minimum capital requirement is the greater of \$100,000 or 6 2/3% of its aggregate indebtedness. At December 31, 2007, the Company had net capital, as computed under Rule 15c3-1, of \$102,873 which was \$2,873 greater than its required net capital of \$100,000. The Company had aggregate indebtedness of \$94,209 at December 31, 2007.

NOTE 5 - EXEMPTION FROM RULE 15c3-3

The Company acts as an introducing broker or dealer, promptly transmitting all funds and delivering all securities received in connection with its activities as a broker or dealer and does not otherwise hold funds or securities for customers or owe money or securities to them. The Company operates under Section (k)(2)(ii) of Rule 15c3-3 of the Securities Exchange Act of 1934 and is, therefore, exempt from the requirements of Rule 15c3-3.

NOTE 6 - RELATED PARTY TRANSACTIONS

The Company is 99% owned by JetTrade Holdings, LLC ("LLC"), an entity that provides the Company the use of premises, furniture and equipment, and provides accounting, advertising, internet access, and other services. Under an operating agreement with LLC, the Company pays a fee of 20% of the total expenses of LLC in exchange for the above arrangement. Total fees paid to LLC under this agreement were \$47,315 and \$25,613 for the years ended December 31, 2007 and 2006. In addition, the majority owner of LLC transacts trades for the Company. Commissions and clearing fees of \$221,403 and \$219,204 were paid to the majority owner during the respective years ended December 31, 2007 and 2006.

NOTE 7 - OTHER

During 2007, a customer deposited funds in a brokerage account and later withdrew \$93,169 from the account through a wire transfer. The brokerage clearing firm utilized by the Company identified the wire transfer as suspicious and discovered, after releasing the funds, that the original deposit appeared to be made with a stolen check. As a result, the Company is being required to reimburse the brokerage clearing firm \$93,169. The Company has recovered \$58,898 in settlements with its insurance companies. As a result, the Company has recognized a liability of \$93,169, an account receivable - other of \$58,898, and a loss of \$34,271 as of December 31, 2007.

NOTES TO FINANCIAL STATEMENTS

At December 31, 2007
(Continued)

NOTE 8 - FINANCIAL INSTRUMENTS

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash instruments. The Company places its cash investments with high-credit-quality financial institutions. Management does not believe significant credit risk exists at December 31, 2007.

The Company's activities involve the execution, settlement, and financing of various customer securities transactions through another clearing broker. These activities may expose the Company to off balance sheet risk in the event the customer or other broker is unable to fulfill its contractual obligations. In the event counterparties do not fulfill their obligations, the Company may be required to purchase, or sell, financial instruments underlying the contract, which could result in a loss.

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION
REQUIRED BY RULE 17a-5 OF
THE SECURITIES AND EXCHANGE COMMISSION**

To the Shareholders'
JetTrade, Inc.
Cincinnati, Ohio

We have audited the accompanying financial statements of JetTrade, Inc. as of and for the year ended December 31, 2007 and have issued our report thereon dated February 21, 2008. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II and III are presented for purposes of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

J. D. Cloud & Co. L.L.P.

Certified Public Accountants

February 21, 2008

JETTRADE, INC.

SCHEDULE I
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION

As of December 31, 2007

NET CAPITAL:

Total shareholders' equity	\$ 64,433
Deduct - shareholders' equity not allowable for net capital	<u>-</u>

Total shareholders' equity qualified for net capital	64,433
--	--------

Add:

Liabilities subordinated to claims of general creditors allowable in computation of net capital	50,000
Other (deductions) or allowable credits	<u>-</u>

Total capital and allowable subordinated liabilities	114,433
--	---------

Deductions and/or charges -

Non-allowable assets:

Deferred income tax	2,850
Payroll account	53
Secured demand note deficiency	<u>8,657</u>

Net capital before haircuts on securities positions	102,873
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Haircuts on securities [computed, where applicable,
pursuant to rule 15c3-1(f)]

Trading and investment securities:

Other securities	-
Undue concentrations	<u>-</u>

NET CAPITAL	\$ <u>102,873</u>
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See Independent Auditors' Report on Supplementary Information.

JETTRADE, INC.

**SCHEDULE I
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE
SECURITIES AND EXCHANGE COMMISSION**

As of December 31, 2007
(Continued)

AGGREGATE INDEBTEDNESS:

Items included in statement of financial condition:

Accrued expenses \$ 94,209

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT:

Greater of 6 2/3% of aggregate indebtedness or \$100,000:

6 2/3% of aggregate indebtedness \$ 6,284

Minimum dollar net capital requirement \$ 100,000

Excess net capital \$ 2,873

Excess net capital at 1000% \$ 93,452

Ratio of aggregate indebtedness to net capital .916 to 1

RECONCILIATION WITH COMPANY'S COMPUTATION:

Net capital, as reported in Company's Part II

(Unaudited) FOCUS report \$ 102,873

Non-allowable assets -

Net audit adjustments -

NET CAPITAL \$ 102,873

See Independent Auditors' Report on Supplementary Information.

JETTRADE, INC.
SCHEDULES II and III - COMPUTATION FOR DETERMINATION OF RESERVE
REQUIREMENTS AND INFORMATION RELATING TO
POSSESSION OR CONTROL REQUIREMENTS PURSUANT TO RULE 15c3-3
OF THE SECURITIES AND EXCHANGE COMMISSION

As of December 31, 2007

The Company is not required to present the schedules "Computation for Determination of Reserve Requirements Under Rule 15c3-3" and "Information for Possession or Control Requirements under Rule 15c3-3" as it meets the exemptive provisions of Rule 15c3-3 under Section (k)(2)(ii) of the Rule.

See Independent Auditors Report on Supplementary Information.



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**INDEPENDENT AUDITORS' REPORT ON
INTERNAL ACCOUNTING CONTROL
REQUIRED BY SEC RULE 17a-5**

To the Shareholders
JetTrade, Inc.
Cincinnati, Ohio

In planning and performing our audit of the financial statements of JetTrade, Inc. (the "Company") as of and for the year ended December 31, 2007, in accordance with U.S. generally accepted auditing standards, we considered the Company's internal control over financial reporting ("internal control"), as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2007, to meet the SEC's objectives.

This report is intended solely for the use of the shareholders, management, the SEC and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

J. D. Cloud & Co. L.L.P.

Certified Public Accountants

February 21, 2008

END